## State of Colorado

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**DPA** 

Department of Personnel & Administration

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December 29, 2009

Honorable Bill Ritter Governor of Colorado 136 State Capitol Building Denver, Colorado 80203

Honorable Representative Jack Pommer Chair, Joint Budget Committee Colorado General Assembly 200 East 14<sup>th</sup> Avenue Denver, Colorado 80203

Dear Governor Ritter and Representative Pommer,

The Department of Personnel & Administration (Department) is required by law to issue an Annual Compensation Report and Director's Letter by August 1<sup>st</sup> of each year. Traditionally, the Department also issues a December update to the August Report and Letter. This update is designed to provide additional survey data and analyses, which are not available in time for the August deadline. This update allows compensation decisions during the budget process to be based upon the most current market data.

The FY 2010-11 annual compensation process incorporated significant modifications to the survey methodology in compliance with the May 2009 Annual Compensation Survey Performance Evaluation report. For instance, the Department now performs a comparison of actual salaries within the State to actual salaries in the market to determine how much salaries should be adjusted. Additionally, a second analysis is performed to compare the State's range midpoints to actual range midpoints in the market to determine how much ranges should be adjusted for the various occupational groups. Thus, the Department now reports two adjustments: one adjustment for how employee salaries should be changed and one adjustment for how ranges should be changed.

Added to this year's December update letter is a Total Compensation Partnership Report. The Partnership is the characterization given to the collaborative endeavor of Colorado WINS, the Association of Colorado State Patrol Professionals (ACSPP), the Governor's Designee for

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Employee Partnerships, and the Department. The Total Compensation Partnership Report is in compliance with improving system-wide efforts under the auspices of Governor Ritter's Executive Order D 028 07.

This Partnership project was undertaken to evaluate the design of the market survey and the manner in which survey results are analyzed. This will ensure that the interests of state employees as well as those of the State are represented in regards to recruitment and retention issues. The Partnership Report outlines additional areas of shared interest, which will be addressed jointly in the upcoming months to further refine and improve the total compensation process. Specific information can be found in the attached Report.

The full FY 2010-11 Annual Compensation Survey Report, the Director's Recommendation Letter, the December Supplement, and the Total Compensation Partnership Report can all be located at: <a href="http://www.colorado.gov/cs/Satellite/DPA-DHR/DHR/1185870964539">http://www.colorado.gov/cs/Satellite/DPA-DHR/DHR/1185870964539</a>.

## STATE EMPLOYEE SALARIES

The following tables summarize the updated findings for benchmark comparisons of state data in relationship to market data by occupational group. A <u>positive</u> percentage indicates the State is under market and a <u>negative</u> figure indicates the State is above market. Overall findings indicate that state salaries are within a competitive position in comparison to the market based on industry thresholds, although some state salaries by individual class fall outside this competitive threshold.

Comparison of State <u>Actual Salaries</u> to Market Median Salaries	Unweighted Average % Difference Aug. 2009	Unweighted Average % Difference Dec. 2009	Weighted Average % Difference Dec. 2009
Enforcement & Protective Services	-9.3%	-12.0%	-2.9%
(Does not include Trooper Subgroup)			
Health Care Services	4.5%	3.7%	4.3%
Labor, Trades & Crafts	2.9%	2.7%	1.8%
Administrative Support & Related	7.5%	6.6%	3.2%
Professional Services	-3.1%	-2.9%	-2.1%
Physical Sciences & Engineering	-8.8%	-9.6%	-9.8%
Overall Average All Occupational Groups	-1.3%	-1.6%	-0.5%

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The following table is for the Trooper Subgroup.

Comparison of State <u>Actual Salaries</u> to Market Average Salaries*	Weighted Average % Difference Aug. 2009	Unweighted Average % Difference Dec. 2009	Weighted Average % Difference Dec. 2009
Trooper Subgroup	7.7%	-0.2%	7.4%

\*C.R.S. 24-50-104(1)(III)(A) defines the labor market for the Trooper classes as the three highest-paid, large law enforcement jurisdictions within Colorado (identified this year as Aurora, Denver, and Fort Collins) and requires potential salary adjustments to be at least 99% of the market average actual salary. Pursuant to C.R.S. 24-50-104(4)(d)(IV), the average actual salary is reduced by the FY 2003-04 survey adjustment of 3.5%. Comparisons for potential salary range adjustments for Trooper classes are included within the EPS occupational group.

In August, DPA did not weight survey results to account for the number of state employee incumbents in the various surveyed jobs. For example, the "Unweighted Average % Difference" provides an overall average that gives equal emphasis to survey data reported for a classification with a only few state employee incumbents to survey data reported for a classification with thousands of incumbents. When data is weighted, as is the case in the new column, the classification with many incumbents is more influential than the classification with a few incumbents. The Partnership will continue to evaluate weighting methodologies and select the single most appropriate approach for the State.

## SALARY PAY RANGES

The following table provides a summary of the updated salary range midpoint comparisons used to determine pay range adjustments, which will not be used to calculate actual employee salary adjustments. The findings indicate that overall the State's pay ranges are within a competitive position in comparison to the market, although some salary ranges by individual class fall outside this competitive threshold.

Comparison of State <u>Salary Range</u> <u>Midpoints</u> to Market Average Midpoints	Unweighted Average % Difference Aug. 2009	Unweighted Average % Difference Dec. 2009	Weighted Average % Difference Dec. 2009
Enforcement & Protective Services (Includes Trooper Subgroup)	-6.5%	-7.9%	-7.1%
Health Care Services	-1.7%	-2.1%	-1.7%
Labor, Trades & Crafts	2.8%	1.8%	1.2%
Administrative Support & Related	3.0%	2.8%	-1.6%
Professional Services	-3.3%	-2.7%	-1.4%
Physical Sciences & Engineering	-7.3%	-8.9%	-8.8%
Overall Average All Occupational Groups	-2.5%	-2.7%	-2.3%

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As indicated above, the Partnership will be further reviewing the total compensation process, which will result in more comprehensive recommendations in the next cycle.

## STATE CONTRIBUTIONS FOR GROUP BENEFIT PLANS

The following table shows the year-to-year change in state contributions for group benefit plans in order to maintain the FY 2009-10 employer contribution to premiums at 90 percent of market employer contributions for medical, 85 percent for dental, and an estimated 72 percent for life insurance.

Year-to-Ye	Year-to-Year Change in Health, Life, and Dental State Contributions				
Medical	Insurance Contribution	s for FY 2009-10 & FY	2010-11		
			Incremental Change		
	FY 2009-10	FY 2010-11			
Tier 1	\$350.66	\$352.00	\$1.34		
Tier 2	\$592.54	\$594.50	\$1.96		
Tier 3	\$627.10	\$629.14	\$2.04		
Tier 4	\$868.98	\$871.64	\$2.66		
Dental 1	Insurance Contributions	for FY 2009-10 & FY	2010-11		
			Incremental Change		
	FY 2009-10	FY 2010-11	<u></u>		
Tier 1	\$20.72	\$19.78	(\$0.94)		
Tier 2	\$33.86	\$32.16	(\$1.70)		
Tier 3	\$35.72	\$33.92	(\$1.80)		
Tier 4	\$48.86	\$46.32	(\$2.54)		
Li	Life Insurance Rates for FY 2009-10 & FY 2010-11				
			Incremental Change		
	FY 2009-10	FY 2010-11	<u> </u>		
Tier 1	\$11.26	\$9.40	(\$1.86)		
Tier 2	\$11.26	\$9.40	(\$1.86)		
Tier 3	\$11.26	\$9.40	(\$1.86)		
Tier 4	\$11.26	\$9.40	(\$1.86)		

It is critical to note that the above measure only reflects a portion of the issue. Employee out-of-pocket costs, which include premiums, co-payments, co-insurance or deductibles, are not reflected in this measure. The State plan may also cover fewer services (e.g., vision care), which require additional expenditures by state health plan participants. If the State wants to be prevailing on the basis of plan designs and cost sharing while still providing benefits that are affordable for employees, the state contribution would need to increase significantly. For example, the following table compares the percentage of covered premium expenses borne by participants in the State's self-funded medical and prescription drug plan with the percentage of covered expenses borne by participants in Cigna's overall insured base statewide.

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	State Medical	Cigna Medical	State Pharmacy	Cigna Pharmacy
Plan/Employer Share	76%	85%	68%	80%
Participant/Employee	24%	15%	32%	20%
Share				

While this data is limited to a comparison of the State's plans to that of one large carrier, it does strongly suggest that the value of the compensation employees receive in health benefits is substantially below prevailing levels.

In addition, as reported in the Annual Compensation Survey Report, the basic life insurance provided in the market equates to 1.4 times the annual salary on average. Beginning July 2009, the State increased its life benefit to \$50,000 for all employees; this is estimated to be 72 percent of prevailing market benefits. Thus, while this is more competitive than in previous years, it still significantly lags the market life insurance on average.

The State remains committed to meeting its statutory obligation to offer competitive total compensation to its employees. While state employee salaries may be slightly above market actual salaries overall, group benefit plans are funded significantly below market levels when considering all factors (e.g., employer contribution, plan design and cost-related factors, and cost-sharing between employees and the State). Therefore, a comprehensive market comparison analysis is needed to determine how total compensation for state employees compares to total compensation within the market. The Partnership will continue to research, review and implement best practices to ensure the State meets its statutory obligation to provide prevailing total compensation for its employees.

Respectfully submitted,

Rich Gonzales
Executive Director

H:Michelle/2009/Correspondence/Ltr to Govr Ritter and Rep J Pommer re December 2009 Total Compensation Update Letter

cc: State Legislators, Cabinet Members and Higher Education Presidents.